



# HOUSE BILL 557: Municipal Omnibus Bill.

2019-2020 General Assembly

<b>Committee:</b>	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	June 19, 2019
<b>Introduced by:</b>	Reps. Ross, Adcock	<b>Prepared by:</b>	Greg Roney Staff Attorney
<b>Analysis of:</b>	PCS to Second Edition H557-CSTMxf-17		

**OVERVIEW:** *The proposed committee substitute (PCS) to House Bill 557 would make changes to various laws affecting municipalities including:*

- *Allow local governments to relieve the tax collector of the duty to collect taxes after the 10-year statute of limitations expires.*
- *Require counties that switch sales tax distribution methods to notify municipalities by February 15.*
- *Annex roadways if the adjoining property is voluntarily annexed.*

Compared to the second edition of the bill, the PCS modifies section 2 by setting the date that counties must notify cities of sales tax distribution changes as February 15 and deleting section 5(b) that reduced the age to qualify for senior citizen programs undertaken by a city from age 60 to age 55.

[As introduced, this bill was identical to S504, as introduced by Sens. McKissick, T. Alexander, which is currently in Senate Rules and Operations of the Senate.]

### CURRENT LAW / BILL ANALYSIS:

**Section 1.** The Machinery Act bars cities and counties from maintaining an enforcement action to collect taxes more than 10 years past due but the tax collector is not relieved of the obligation to collect taxes more than 10 years past due.

Section 1 of the PCS, effective when law, would authorize cities and counties to relieve its tax collector of the obligation to collect any taxes more than 10 years old that appear uncollectible to the governing body.

**Section 2.** County boards of commissioners determine, by resolution, the distribution of allocated sales and use taxes among the county and its municipalities. The resolution must be adopted during the month of April and must select either the per capita distribution method or the ad valorem distribution method.

Section 2 of the PCS, effective when law and applicable to resolutions adopted on or after that date, would require counties provide written notice to affected municipalities before February 15.

**Section 3.** State law provides that certain contracts for the sale, lease, or that offer to sell or lease, any product or service to a consumer where the contract automatically renews unless the consumer cancels the contract, must contain certain disclosures pertaining to the automatic renewal provision. Contracts in violation render the automatic renewal clause void and unenforceable.

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Section 3 of the PCS, effective when law, would exempt from liability, any public officer or employee of a political subdivision who disburses public funds pursuant to a contract rendered void and unenforceable for violating the automatic contract renewal provisions.

**Section 4.** The Parks and Recreation Trust Fund (PARTF) in the State Treasurer's Office is a special revenue fund consisting of donations, gifts, and devises to the Trust Fund and other monies appropriated to the Trust Fund by the General Assembly. Funds in the Trust Fund are annually appropriated to the North Carolina Parks and Recreation Authority and, unless otherwise specified by the General Assembly or the terms or conditions of a gift or grant, are allocated as follows:

- (1) 65% for the State Parks System or a State recreational forest for capital projects, repairs and renovations of park facilities, and land acquisition.
- (2) 30% to provide matching funds to local governmental units or public authorities as defined in G.S. 159-7 on a dollar-for-dollar basis for local park and recreation purposes.
- (3) 5% for the Coastal and Estuarine Water Beach Access Program.

Section 4 of the PCS, effective July 1, 2019 and applicable to allocations on or after that date, would allow tier-one counties or local governments located within a tier-one county to receive funds from the 30% group without local matching funds.

**Section 5.** Article 1 of Chapter 157 of the General Statutes authorizes a housing authority to carry out and operate housing projects. A housing project includes the provision of safe and sanitary housing for persons of low income through payment of rent subsidies from any source.

Section 5 of the PCS, effective when law, would add relocation assistance for persons of moderate or low and moderate income to the type of housing projects for which a housing authority may make payments in order to provide safe and sanitary housing.

**Section 6.** Annexation is a method by which a municipality alters its boundary through adoption of an annexation ordinance after following certain prescribed statutory procedures in Article 4A of Chapter 160A of the General Statutes. Statutory annexation may be voluntary or involuntary. Annexation may also be through a local act of the General Assembly.

A city may voluntarily annex property that is contiguous to the city's boundaries or property not contiguous to the city's boundaries ("satellite annexation"). Either form of voluntary annexation requires the consent of the owners of all real property in the area to be annexed. State law authorizes a city to voluntarily annex its own property. However, a city has no authority to annex property it does not own such as State-maintained streets.

Section 6 of the PCS, effective when law, would authorize a city to include in the description of any area to be voluntarily annexed, any adjacent public streets or public street rights-of-way the city does not own.

**Section 7.** The city council of any city may define any number of service districts in order to finance, provide, or maintain districts for beach erosion control, historic district preservation, downtown or urban revitalization, transit-oriented projects, drainage projects, sewage collection and disposal, off-street parking, watershed improvement, and conversion of private residential streets to public streets. A city may provide the service for which the service district is created with its own forces, or it may contract for provision of the service with another governmental agency, a private agency, or any combination thereof. If a city contracts with a private agency for the provision of services created for historic district preservation or for downtown or urban revitalization, the city must first comply with certain additional procedural requirements including using a bid process, holding a public hearing, and requiring the provider to submit an annual report to the city.

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Section 7 of the PCS, effective when law, would clarify that if a city contracts with another governmental agency to provide services for service districts created for historic district preservation, downtown revitalization, or for urban revitalization, the procedural requirements for bidding do not apply.

**Section 8.** Cities are authorized to collect system development fees for services imposed with respect to new development to fund costs of capital improvements necessitated by and attributable to the new development, to recoup costs of existing facilities which serve the new development, or a combination of those costs. System development fees may be calculated using the incremental cost method, marginal cost method, combined cost method, or the buy-in method.

Revenue from system development fees calculated using the incremental cost method or marginal cost method, exclusively or as part of the combined cost method, may only be expended to pay costs of constructing capital improvements, certain professional fees, and for the payment of principal and interest on bonds and notes if no construction is planned within 5 years.

Section 8 of the PCS, effective when law, would authorize system development fees calculated using the combined cost method to be used for previously completed capital improvements for which capacity exists and for capital rehabilitation projects.

**EFFECTIVE DATE:** Section 4 is effective July 1, 2019. The remainder of the act is effective when law.

*Billy Godwin with the Legislative Analysis Division substantially contributed to this summary.*